



Department of Justice

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**JUSTICE DEPARTMENT AND TEXAS ATTORNEY GENERAL CHALLENGE
AETNA'S ACQUISITION OF PRUDENTIAL HEALTHCARE AND REQUIRES
DIVESTITURES**

WASHINGTON, D.C. -- The Department of Justice and the Texas Attorney General's Office today filed a civil antitrust suit to block Aetna Inc.'s proposed acquisition of The Prudential Insurance Company of America's health care business. At the same time, a proposed consent decree was filed that would allow the acquisition to go forward provided that Aetna sells its NYLCare Health Maintenance Organization (HMO) businesses in Houston and Dallas-Fort Worth, Texas.

The lawsuit and proposed consent decree were filed today in U.S. District Court in Dallas, Texas. The consent decree, if approved by the court, would settle the lawsuit.

"This settlement demonstrates the Department's commitment to preserve competition in all sectors of the health care industry," said Joel I. Klein, Assistant Attorney General in charge of the Antitrust Division. "The required divestitures will have two important effects. First they will preserve competition and protect consumers from higher prices for HMO and HMO-based POS services. In addition, the divestitures will deny Aetna the ability to unduly depress physician reimbursement rates and thereby impair the quantity and quality of physician services provided to patients."

According to the Complaint, the proposed transaction would have made Aetna the dominant provider of HMO and HMO-based point of service (POS) plans in Houston and Dallas, with 63 percent and 42 percent, respectively, of enrollees in those areas. It also would have resulted in increased prices or reduced quality of those health care plans. The Complaint also alleges that the combination of Aetna, NYLCare, and Prudential would have given Aetna control over a large share of the physicians' businesses, enabling Aetna to depress physicians' reimbursement rates in Houston and Dallas. Over time, this likely would have resulted in a reduction in the quantity or quality of physician services provided to patients.

HMO plans generally compete in local areas on the basis of the breadth and quality of their physician and hospital networks, their benefits structure and their prices.

"This settlement protects the consumer by preserving competition," said Texas Attorney General John Cornyn. "Patients will benefit both from the lower health plan prices that competition ensures and the preservation of quality health care by maintaining competitive physician reimbursement."

Under the proposed settlement, the required divestitures would restore Aetna's market shares in Houston and Dallas for HMO and HMO-based POS plans and for the purchase of physician services to approximately the same levels as before the proposed acquisition.

Aetna, headquartered in Hartford, Connecticut, is a leading provider of health, retirement, and financial services benefits worldwide. Through its subsidiary, Aetna U.S. Healthcare, Aetna provides health care benefits to over 15 million plan members throughout the United States.

Prudential, headquartered in Newark, New Jersey, is one of the largest financial institutions in the world. Prudential HealthCare, a subsidiary of Prudential, provides health care benefits to approximately 5 million plan members throughout the United States.

As required by the Tunney Act, the proposed consent decree will be published in the Federal Register, along with the Department's competitive impact statement. Any person may submit written comments concerning the proposed decree during a 60-day comment period to Gail Kursh, Chief, Health Care Task Force, Antitrust Division, U.S. Department of Justice, 325 Seventh St., N.W., Suite 400, Washington, D.C. 20530. At the conclusion of the 60-day comment period, the United States District Court for the Northern District of Texas may enter the consent decree after finding that it serves the public interest.

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